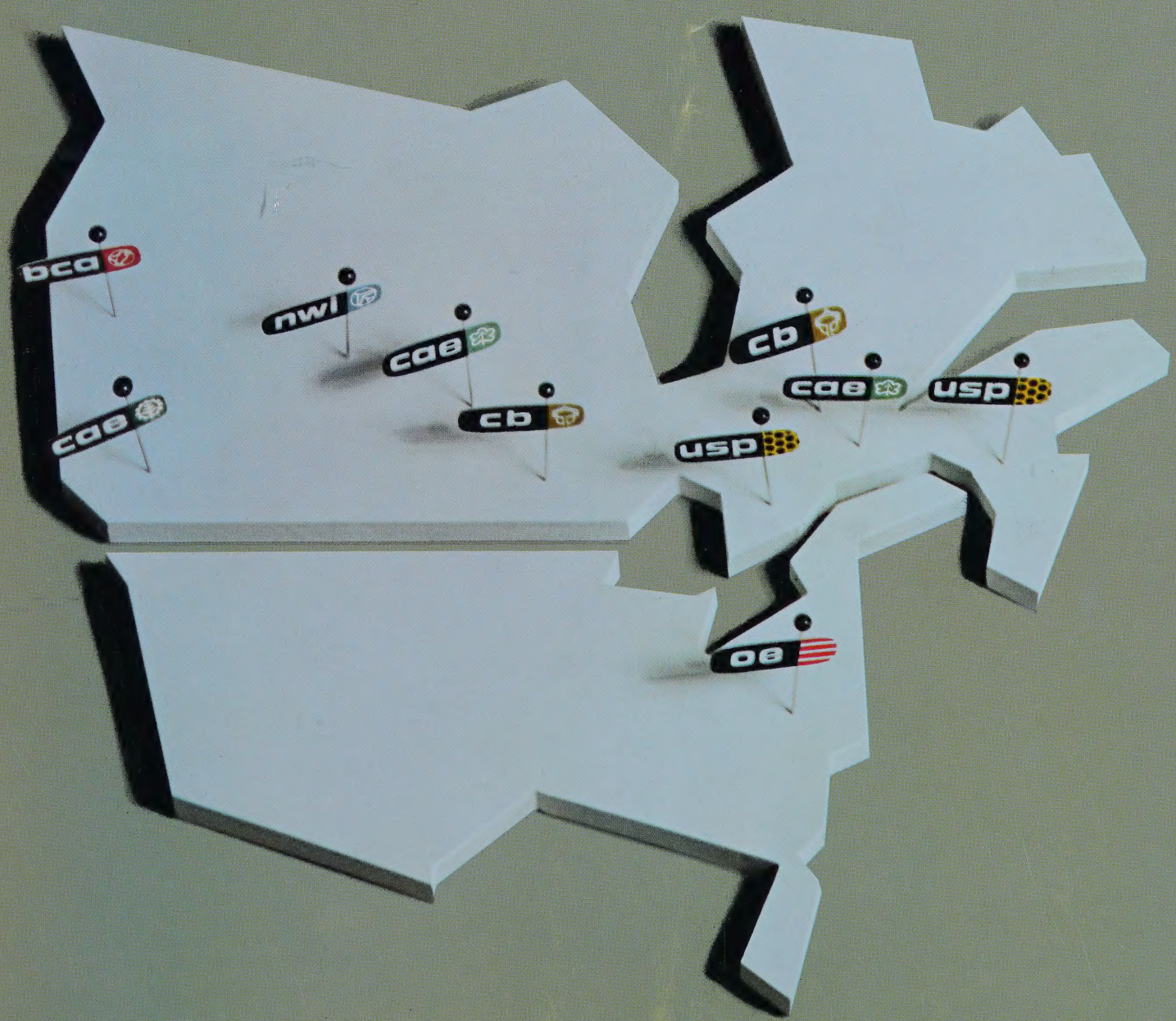


AR52



Board of Directors

- * R. Fraser Elliott, Q.C., Chairman of the Board of Directors, Partner — Stikeman, Elliott, Tamaki, Mercier and Robb, Montreal, Que.
James F. Tooley, Vice-Chairman of the Board of Directors, Montreal, Que.
- * C. Douglas Reekie, President, Chief Executive Officer and Chairman of the Executive Committee, Montreal, Que.
W. M. Anderson, Partner — Winspear, Higgins, Stevenson and Doane, Vancouver, B.C.
T. N. Beaupré, Chairman of the Board and President, Domtar Limited, Montreal, Que.
Henry Benson, President — Benso Limited, Montreal, Que.
- * Air Marshal Hugh Campbell, Company Director and Consultant, Ottawa, Ont.
Peter D. Curry, Chairman, Greater Winnipeg Gas Company, Winnipeg, Man.
Léon Simard, President, Engineering Products of Canada Ltd., Montreal, Que.
H. Heward Stikeman, Q.C., Partner — Stikeman, Elliott, Tamaki, Mercier and Robb, Montreal, Que.
Hon. G. S. Thorvaldson, Q.C., Senior Partner — Thorvaldson & Company, Barristers & Solicitors, Winnipeg, Man.
F. G. Winspear, Company Director, Edmonton, Alta.

(*) Member of the Executive Committee

Officers

R. Fraser Elliott, Q.C., Chairman of the Board of Directors
James F. Tooley, Vice-Chairman of the Board of Directors
C. Douglas Reekie, President and Chief Executive Officer
David I. Johnston, Executive Vice-President
John W. Bell, Vice-President — Research and Development
R. W. Cooke, Vice-President — Electronics
G. G. James, Vice-President — Finance and Secretary
B. J. Kaganov, Vice-President — Operations, Electronics
D.S.D. McDonald, Vice-President.

Bankers

Canadian Imperial Bank of Commerce
The Toronto-Dominion Bank
The Royal Bank of Canada
The Bank of Nova Scotia
First National City Bank, New York, N.Y.

Auditors

Riddell, Stead, Graham & Hutchison, Chartered Accountants, Montreal, Que.

Counsel

Stikeman, Elliott, Tamaki, Mercier and Robb, Montreal, Que.
Thorvaldson & Company, Barristers & Solicitors, Winnipeg, Man.

Transfer Agents

Crown Trust Company, Montreal, Que., Toronto, Ont., Vancouver, B.C.

Registrar

Montreal Trust Company, Montreal, Que., Toronto, Ont., Vancouver, B.C.

CAE Industries Ltd.

CAE INDUSTRIES LTD. Corporate Headquarters
19th Floor, Place Ville Marie, Montreal, Que.
Montreal mail address: Box 6166, Montreal 3, Que.

CAE ELECTRONICS DIVISION
Montreal 3, Que.

CAE WESTERN DIVISION
Winnipeg, Man.

Subsidiary Companies

NORTHWEST INDUSTRIES LIMITED
Edmonton, Alberta

B. C. AIR LINES LIMITED
Vancouver, B.C.

CANADIAN BRONZE COMPANY LIMITED
Montreal, Que., Winnipeg, Man.

ONEIDA ELECTRONICS INC.
Utica, N.Y.

CAE ELECTRONICS GmbH
Stolberg, Aachen, West Germany

CAE MACHINERY LTD.
Vancouver, B.C.

UNION SCREEN PLATE CO. LTD.
Lennoxville, Que., Montreal, Que., Brampton, Ont.

CAE LUBRICATORS LTD.
Montreal, Que.

L. E. BAXTER LIMITED
Montreal, Que.

Twenty Years of Progress

During Canada's centennial year, CAE Industries Ltd. also celebrates an anniversary, its twentieth, having received a Federal Charter on March 17, 1947.

Formerly known as Canadian Aviation Electronics Ltd., the company started in 1947 as a fifty man organization in a small building at St. Hubert, Quebec, with the repair and overhaul of electronic and electro-mechanical equipment as its only activity. In the early 1950's the company became established as a builder of aircraft simulators when awarded the first order to produce the CF-100 flight and tactics trainers for the Canuck twin jet interceptor for the Royal Canadian Air Force.

From this initial order, production and development of flight simulators has continued, and today, thousands of commercial and military airmen are being trained in CAE simulators throughout the world. The company can count among its customers ten air forces and six international airlines.

The company's early growth was largely based on its demonstrated capabilities in the flight simulation field and by 1962 a strong financial position had been secured. At that time an intensified program of diversification was launched both by acquisition and internally through the development of new products.

As a result of this program of diversification, the company is today firmly established in four main fields of operation: Electronics, Aviation, Forest Products Equipment and Railway Supply. It was to reflect this diversified nature of the company's business that the name was changed in 1965 to CAE Industries Ltd. CAE now includes twelve subsidiaries or divisions located in six Canadian provinces, in New York State and the Federal Republic of Germany. Approximately 2900 people are employed, nearly half of whom are involved in electronics.

The company has approximately 3800 shareholders at present in comparison to 400 shareholders in 1959 when the company's shares were first listed for trading on the Montreal Stock Exchange. Today CAE shares are also listed on the Toronto and Vancouver Stock Exchanges, with 97% of the company's stock being held in Canada.

The shareholders of CAE Industries Ltd. are now participating in a well diversified company owned and managed by Canadians, with an important stake in Canada's future as the country enters its second century of progress.

Operations of Subsidiaries and Divisions

Electronics Division

The backlog at the Electronics Division includes commercial simulator orders for several versions of the Douglas DC-8 transport aircraft which have been placed by Air Canada, Swissair, Union de Transports Aeriens, KLM Royal Dutch Airlines and Iberia, The Airline of Spain. DC-9 simulators were delivered to Swissair and KLM during the year and both these customers re-ordered simulators for their extended versions of the DC-8. The Swissair and UTA extended DC-8 type simulators will employ the new Sigma II general purpose digital computer and an automated instruction facility. The Electronics Division has developed an alpha numeric visual instructor's layout known as "ANVIL" which provides for automation of the instructor's task. The first of two Lockheed C-130 simulators and the remainder of the original six Canadair CT-114 simulators ordered by the Royal Canadian Air Force were delivered during the year.

With the advent of the next generation of aircraft such as jumbo jets and supersonic transports, the increased cost of operating these aircraft will result in more emphasis being placed upon the use of simulators for flight crew training. The Electronics Division is competing for orders for simulators for the Boeing 747 jumbo jet and the Division has already embarked upon a research and development program covering these new requirements.

The demand for TELEPATH solid state selectors and code translators continues to increase in the industrial control and communications field. Significant orders were received during the year from the South Saskatchewan Pipeline, Newfoundland Light and Power and the Churchill River Power Company for TELEPATH supervisory control systems. Sales of TELEPATH lines of equipment were ahead of forecasts for the year and D.C. Smith has been appointed Vice-President, Data Processing and Controls Group, responsible for the TELEPATH lines. Mr. Smith was previously Comptroller of the Electronics Division.

Early in 1967, significant new orders were received by the Electronics Division for CAE magnetic anomaly detection ("MAD") equipment. These MAD equipment orders result from research and development work carried out by the Electronics Division over the past five years, through which the company has gained a world wide reputation in this field. The automatic permanent magnetic compensator which was previously supplied for use in Canadian anti-submarine warfare aircraft, has now been ordered by the Royal Netherlands Navy, the Royal Australian Navy and the Royal Australian Air Force. Additional orders for this equipment are expected from the United States Navy and the Royal New Zealand Air Force. The Royal Air Force ordered nine term compensators in quantity last year and the first production order has now been placed by the United States Navy. The nine term compensator has been designed for new ASW aircraft while the automatic permanent magnetic compensator is being supplied to existing aircraft.

Background technical know-how in this field has resulted in the receipt of another contract from the United States Navy for the development and supply of submarine anomaly marker equipment which provides automatic detection and alerting features for the magnetic detection equipment. Both the nine term compensator and the submarine anomaly

marker are part of the United States Navy's advanced ASW avionics system for the new Lockheed P3C aircraft.

Continued research and development work has expanded the MAD product line. A submarine signal simulator and vertical gradient compensator are being developed under contract with the Canadian Government. The submarine signal simulator provides in-flight MAD training without the need for a target submarine, while the vertical gradient compensator automatically eliminates MAD interference caused by the change in the earth's magnetic field with change in altitude. Also under development is a MAD system trainer and an advanced airborne magnetometer.

Repair and overhaul work at the Western Division remained steady throughout the year at a higher level than originally forecast. Repair and overhaul activity and field service support at the Electronics Division is forecast at a lower level for the ensuing year due to two Canadian Government support contracts being awarded to a competitor.

The Electronics Division is also responsible for the Signal Division, Oneida Electronics, Inc. and L. E. Baxter Limited. The operations of the Signal Division were integrated into those of the Electronics Division during the year in order to improve efficiency and better exploit a new line of solid state traffic controllers developed by the Electronics Division. The results of Oneida Electronics for the year were satisfactory and this subsidiary has occupied new quarters, including an adequately equipped machine shop. Oneida is presently engaged in repair, overhaul and light manufacturing, as well as acting as a distributor in the United States for certain company products manufactured in Canada. L. E. Baxter Limited, in which the company purchased a majority interest last year, specializes in non-destructive testing and material evaluation. Sales of test equipment and laboratory services are up from last year and new developments in technology indicate a considerable growth potential in this field.

CAE Electronics GmbH was originally established to service and maintain the F-104 simulators sold to the air forces of a number of NATO countries. The company presently employs about 150 persons, practically all of whom are engineers or highly trained technicians. The capability of providing technical support from the company's plant at Stolberg, Germany, has been an important consideration in selling commercial simulators in Europe and, during the past year, the company began to service and maintain simulators sold to the commercial airlines in Europe. Services from Stolberg are presently being provided in Germany, Belgium, Netherlands, Denmark, Norway, Greece, Turkey and Spain.

B. C. Air Lines Limited

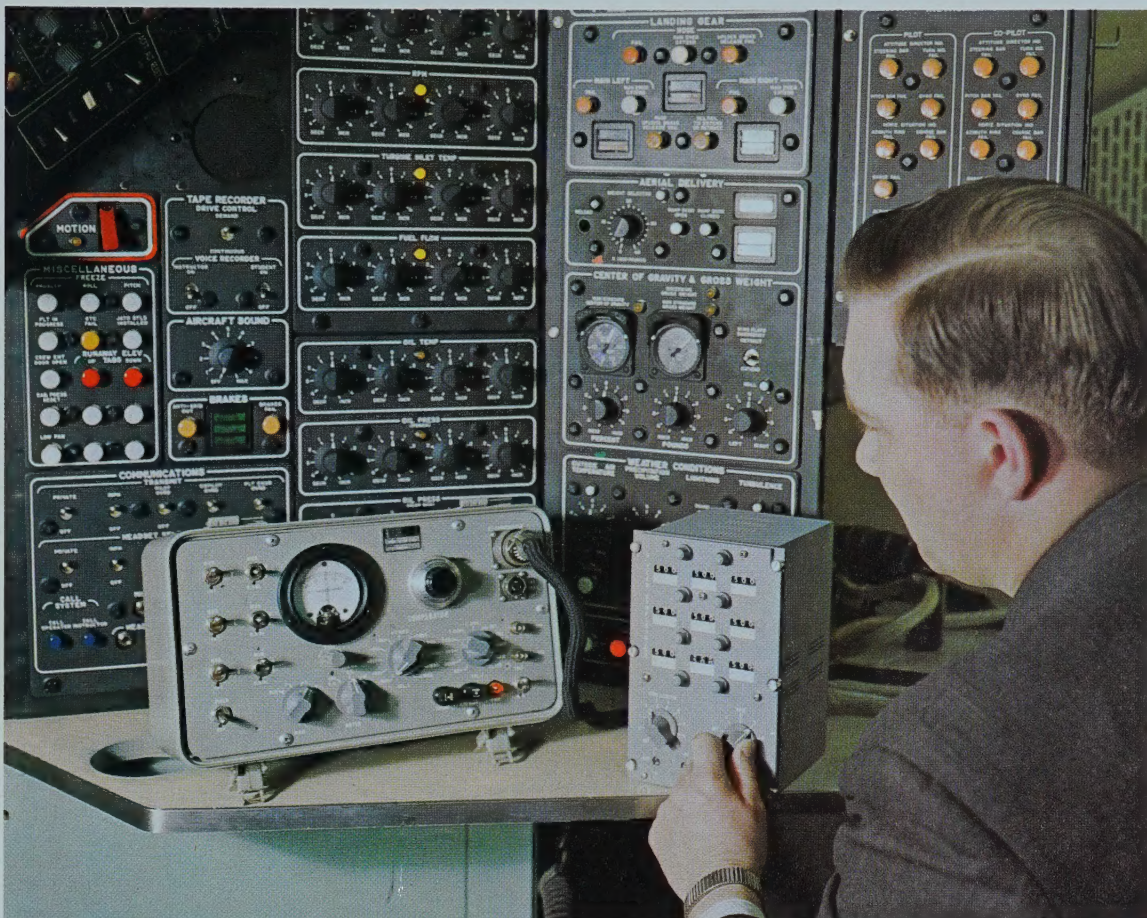
B. C. Air Lines Limited is presently operating a fleet of thirty-six aircraft in British Columbia and has recently inaugurated a Beechcraft Queenair Liner service to Tofino and Bella Coola. The airline completed 73,000 flights during the year, approximately two-thirds of which were carried out on a scheduled basis. The company's three 12-passenger Mallards operated IFR throughout the year with fewer cancellations due to weather on their scheduled runs between Vancouver, Tofino, Tahsis and Zeballos and Vancouver and Ocean Falls and Bella Coola.

Continued page 4

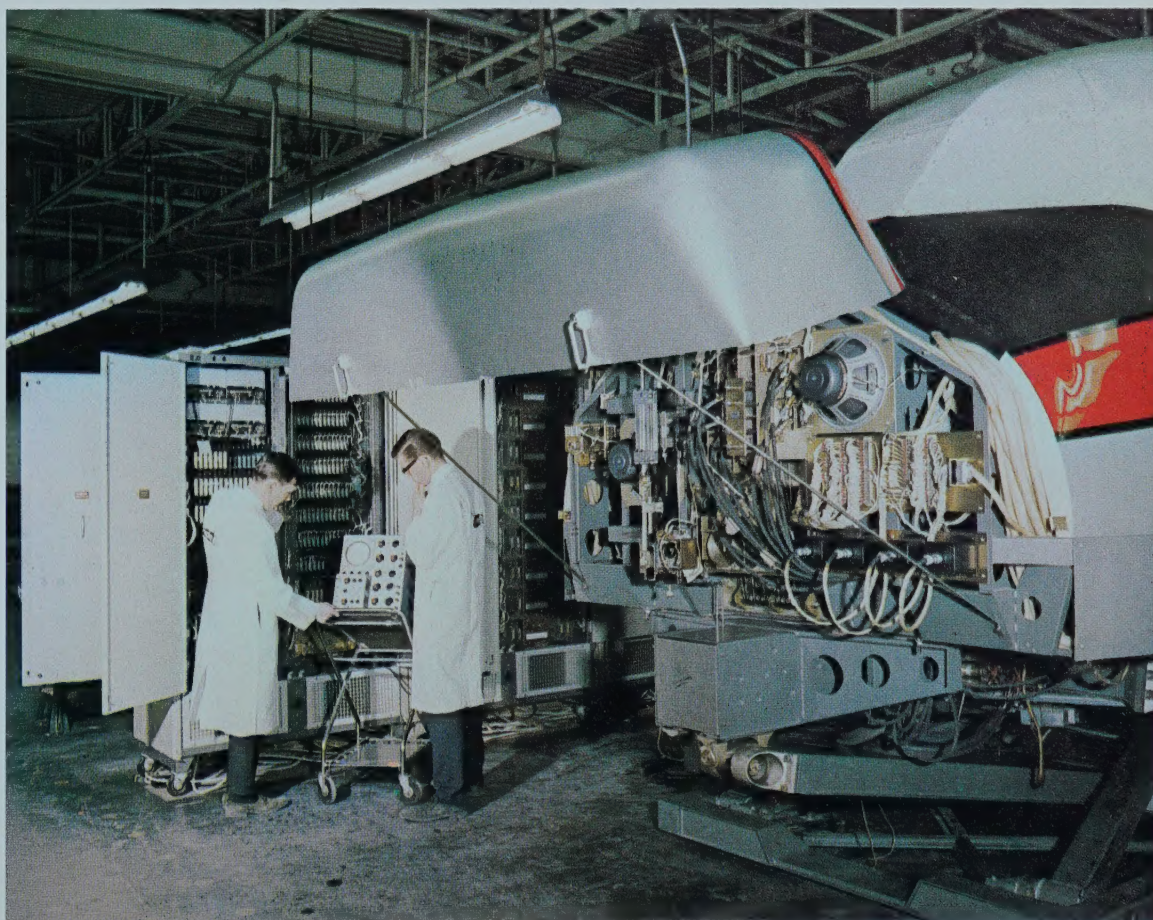


**Electronics
Division**

The nine term compensator is shown being tested with the 9-TC Test Set prior to delivery to Hawker Siddeley Aviation Ltd. for use in the Royal Air Force HS-801 anti-submarine aircraft. The equipment, which is the most advanced of the CAE magnetic compensators, has also been adopted by the United States Navy for use in their latest anti-submarine aircraft, the Lockheed P3C. CAE MAD equipment also has non-military applications. The Canadian Department of Energy, Mines and Resources has ordered a nine term compensator for evaluation in airborne geophysical exploration and the St. Lawrence Seaway Authority has contracted with the company for a prototype magnetic detection system for ships.



This simulator for the extended version of the Douglas DC-8 aircraft ordered by Iberia, The Airline of Spain, is undergoing final inspection and testing on the assembly line at the main plant of the Electronics Division in St. Laurent, Quebec, following which it will be disassembled and air shipped to Madrid, Spain. An Iberia DC-9 simulator was delivered during the past year and is presently in service at Madrid. Company personnel from CAE Electronics GmbH at Stolberg, Germany, will reassemble and install the simulator at Iberia's training center at Madrid following air shipment.



Over the past two years the company has, with the assistance of outside consultants, carried out regional route and flight equipment studies to determine the role in which it could best serve the travelling public. As a result of these studies, applications for additional routes are being filed with the Air Transport Board.

Northwest Industries Limited

Northwest Industries Limited is presently operating near full capacity. In addition to aircraft overhaul and repair work, the Hughes Aircraft Company has subcontracted the production of a special aircraft rack assembly for electronic equipment for installation in century series aircraft. The Canadian Government has awarded a contract to Northwest for the interior and avionics installation on the RCAF Fan Jet Falcon aircraft which will be outfitted in Edmonton. The company has recently entered into a distributorship arrangement with the International Jetstream Corporation of St. Louis, Missouri under which Northwest will be the exclusive sales representative in Canada for the Handley Page model 137 Jetstream aircraft. This aircraft is a pressurized, 18-passenger, twin turbo-prop well suited for either executive or regional airline use. Northwest has also negotiated an agreement with the Aeronautica Macchi company of Milan, Italy under which Northwest will act as sales representative in Canada and the United States for the Macchi AL60 aircraft. This general purpose aircraft is being built in Italy under license from the Lockheed Aircraft Corporation.

The company has continued to consolidate its position in plastics through the sale of fibreglass reinforced plastic tanks and pipes to the pulp and paper, chemical and petroleum industries. In late summer of 1966, the company's subsidiary, Northwest Industries (Commercial) Ltd., completed on-site manufacture of some 14,000 feet of thirty-six inch and forty-two inch diameter fibreglass reinforced plastic pipe to carry the industrial waste from the new Scott Maritime pulp mill near New Glasgow, Nova Scotia. The work was carried out with local labour under Northwest supervision and a particularly interesting part of the work comprised the installation of approximately one mile of pipe across the East River. The joining of sections underwater was performed by scuba divers working approximately twenty to thirty feet beneath the surface of the water and using the techniques which Northwest developed in laying pipe lines underwater on similar West Coast projects. Northwest has placed an order with Glastrusions Inc. of Los Angeles, California for a revolutionary new type of machine for the production of fibreglass reinforced plastic pultrusions. Curing is controlled by radio frequency waves as the product is pultruded through the machine. The electrical industry has shown interest in this type of product for a wide range of applications where strength and electrical insulation qualities are required.

During the year the company introduced the Torrent Pump on the market and management is encouraged by sales demand. The Torrent Pump has a capacity of 40,000 gallons per hour yet combines light weight portability with economical operation. The unique feature is that the pump floats on the water's surface and will settle on the bottom as the water level dwindles. The pump was developed by Northwest to meet needs of the construction, agriculture, oil field and forestry industries.

CAE Machinery Ltd.

CAE Machinery Ltd. manufactures a comprehensive range of specialized mechanical equipment for the forest products

industry, as well as heavy equipment for the construction and mining industries. The results for the year were adversely affected by the low level of activity which prevailed in the lumber and saw mill industry in British Columbia. The company has succeeded in maintaining its position in the export market through substantial orders placed by customers in Australia and France. The company recently completed the manufacture of a light merchant bar cooling bed for the Steel Company of Canada Limited in Edmonton, Alberta. The function of the cooling bed is to cool steel bars of various shapes and sizes while, at the same time, conveying them from the finishing stand to a location for shearing to market lengths. A second order for similar equipment was received by CAE Machinery from a large steel mill in the mid-western United States.

Union Screen Plate Co. Ltd.

Union Screen Plate Co. Ltd. operates plants at Lennoxville, Montreal and Brampton, Ontario. The company had an active year and improvements were made to plant and equipment under the company's modernization program. Union Screen Plate is primarily engaged in metal fabrication, plating and non-ferrous casting. Among its principal products are slotted, conically drilled and perforated screen plates used in screening operations by the pulp and paper industry. Approximately one-third of screen plate production is for export.

During the year a drum drill of sixty inch capacity was built and installed to permit the production of plates for the largest centrifugal screens presently in use in the industry. In addition, the machines for producing slotted screen plates were fully automated. These changes increased present capacity, reduced the cost of operation and improved the quality of the product.

Canadian Bronze Company Limited

The results of the Canadian Bronze Company Limited showed a substantial improvement for the year just ended. High frequency melting furnaces and an X-ray spectrometer installed last year have made possible refinements in the casting of high quality alloys. The company has qualified as a defence contractor for both the Canadian and United States Governments, with a significant contract having been received for the first time during the year from the United States Navy.

The journal bearing manufacturing operation was further streamlined in early 1967 through the installation of an automatic lining machine which will bring about improved quality and reduced handling in the lining operation. In order to diversify the operations, an arrangement was concluded with the Mitsui Company and the Toyo Bearing Company in Japan under which Canadian Bronze will act as the exclusive representative in Canada for NTN roller bearings to the Canadian railways.

The demand of the Canadian railways for journal bearings and diesel locomotive support bearings has been strong and the Central Division is now in full production rebuilding diesel locomotive cylinder liners. Experience indicates that as more advanced and versatile production equipment becomes available, machined castings and other finished products account for a higher proportion of sales and earnings each year.

The product line of CAE Lubricators Ltd., a subsidiary of Canadian Bronze, continues to compliment the other railway supplies furnished by Canadian Bronze to the railways. The Journapak lubricator is a tufted cotton and foam rubber pad which fits into the railway car journal or axle housings and which lubricates bearings through capillary action.



Financial Highlights

	1967	1966
Gross revenue	\$45,361,913	\$46,506,918
Profit before provision for income taxes	\$ 2,857,106	\$ 3,101,506
Profit after taxes	\$ 2,088,357	\$ 1,875,986
Common shares outstanding	1,610,031	1,608,306
Earnings per share	1.28	1.12
Working capital	\$ 3,648,429	\$ 2,598,887
Working capital ratio	1.3	1.2
Current notes payable	\$ 4,640,000	\$ 3,138,000
Long-term indebtedness	\$ 3,176,826	\$ 4,086,818
Net worth	\$14,921,264	\$13,801,175
Book value per share	9.27	8.58
Cash dividend paid per common share	0.325	0.325

Statement of changes in working capital

	1967	1966
Working capital at beginning of year	\$ 2,598,887	\$ 2,626,303
Increases		
Net income for the year	2,088,357	1,875,986
Depreciation and amortization written off — net	818,791	651,869
Disposal of fixed assets — at cost	607,500	520,524
Proceeds from sale of capital stock	11,462	43,773
	<u>6,124,997</u>	<u>5,718,455</u>
Decreases		
Long-term debt	810,643	(180,537)
Additions to fixed assets — at cost	1,058,321	1,292,383
Dividends paid and payable	560,453	636,196
Redemption of preferred shares of a subsidiary company	—	503,060
Net decrease in working capital resulting from purchase of subsidiaries and affiliated companies during year	<u>47,151</u>	<u>868,466</u>
	<u>2,476,568</u>	<u>3,119,568</u>
Working capital at end of year	\$ 3,648,429	\$ 2,598,887

Notes to Financial Statements for the year ended March 31, 1967

1. Loans from Industrial Development Bank consist of (a) \$210,000 at 6½% repayable by monthly instalments of \$17,500 to March 1968 and in respect of which \$1,400,000 6½% First Mortgage Bonds of CAE Industries Ltd. have been issued as collateral security and (b) \$8,750 at 6% repayable in 1967 secured on the fixed assets, other than buildings, of CAE Machinery Ltd.

2. As at March 31, 1965 the fixed assets of CAE Industries Ltd., and certain of its subsidiaries were appraised by Warnock Hersey Company Ltd. Disposals during the year have been removed from the accounts at net appraisal value except for minor items which have been removed at net book value.

The fixed assets of the other subsidiaries are carried at cost. Depreciation for the year ended March 31, 1967 has been charged to operations on the basis of cost as in prior years.

3. A substantial part of the company's sales is made to the Canadian Government. These sales are subject to adjustments on Government audit. The Management is of the opinion that full provision has been made for any adjustments that may arise in final determination of contract prices.

4. The provision for income taxes has been affected by the following factors:

The company's intention to claim for tax purposes research and development costs which are carried in inventories in the balance sheet.	\$221,000
The over provision for taxes payable in respect of prior years.	190,000
The company's intention to claim for tax purposes capital cost allowance in excess of depreciation recorded in the accounts.	98,000
	<u>\$509,000</u>

The cumulative amount by which income taxes have been reduced in this and prior years principally by claiming capital cost allowances and research and development costs in excess of amounts charged against earnings is approximately \$831,000 which amount will be applicable to future periods in the event amounts which may be claimed for tax purposes are less than the amounts recorded in the accounts.

5. The company has granted options in respect of 115,825 shares to officers and employees of CAE Industries Ltd. and its subsidiaries. A further 10,500 shares are reserved for allocation. Of the total of 126,325 shares, 49,375 shares have been purchased to date on the open market and are held by subsidiaries on account of these options.

A subsidiary has granted options, exercisable over the period

ending on March 31, 1970, to purchase up to 10% of the shares of its subsidiary company for an aggregate consideration of \$45,000. The subsidiary is committed to repurchase these shares for a minimum consideration of \$45,000.

Auditors' Report

To the Shareholders
CAE Industries Ltd.

We have examined the accompanying consolidated financial statements of CAE Industries Ltd. and subsidiaries for the year ended March 31, 1967 comprising the consolidated balance sheet as at that date and the consolidated statements of earnings and earnings retained in the business and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances, except that it was not practicable to confirm Canadian Government receivables as to which we have satisfied ourselves by means of other auditing procedures. The accounts of eight subsidiaries included in the consolidated financial statements were examined and reported on by other public accountants.

In our opinion the aforementioned statements present fairly the financial position of the companies as at March 31, 1967 and the results of their operations and the source and application of funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

April 25, 1967 Riddell, Stead, Graham & Hutchison, *Auditors*.

Report to our Shareholders

The fiscal year ended 31st March 1967 has resulted in a new high for earnings and continued improvement in the financial position of CAE Industries Ltd. Progress has been made with the sale of CAE products in both the domestic and international markets, technical competence has improved throughout the company, facilities are well maintained, and where desirable, plans for expansion are underway. The enthusiasm and dedication of CAE's 2,900 employees is one of the most important assets of the company and their contribution to its progress is acknowledged.

Earnings for the year were \$2,088,357 or \$1.28 per common share based on 1,610,031 shares outstanding at the year end, after payment of \$37,500 in dividends to holders of preferred shares of a subsidiary company. This compares with earnings of \$1,875,986 or \$1.12 per share on 1,608,306 shares outstanding last year. Non-recurring profits included in these figures amount to \$198,000 this year against \$66,000 last year.

Gross revenue at \$45,361,913 compares with \$46,506,918 last year. The postponement of delivery of two simulators to the next fiscal year has had an adverse effect on sales and earnings this year. These postponements were caused by late delivery of major components by important suppliers in one case and at the customer's request in the other.

The charge to profits for income taxes is \$768,749 or 27% of profit before taxes compared with \$1,225,520 or 39.5% of profit before taxes last year. The factors affecting the taxes payable this year are (1) non-recurring profit not taxable, (2) profit of subsidiaries not taxable because of loss carry forward, (3) allowance for government incentive research and development plan not taxable, (4) profits of subsidiary carrying on business in "designated area" not taxable and (5) a reduction in the provision for taxes this year by an overprovision made in prior years.

Working capital at the year end was \$3,648,429 compared with \$2,598,887 last year. The statement of the changes in working capital appearing on the preceding page explains the increase of \$1,050,000. Bank indebtedness was \$6,241,498 against \$5,857,986 at March 31st, 1966. The increase this year reflects the trend toward extended terms of payment on equipment orders in the international market and an increase in inventories. Long term debt was reduced by \$910,000 during the year.

Additions to fixed assets for the fiscal year ended March 31st, 1967 were \$1,058,321, compared with \$1,292,383 last year, while sales or retirement of assets (at cost) amounted to \$607,500 against \$520,524. Under the industry modernization plan, sponsored by the Federal Government, machinery and equipment to a value of \$250,000 have been added to the facilities of the company. One half of this amount is payable

to the Government over the next five years. Your Board of Directors has approved capital expenditures of \$1,050,000 for the 1967-68 fiscal year for additions to, and modernization of plant and equipment.

Dividend payments to owners of common shares amounted to \$522,953 at the rate of 32½¢ per share including a year-end extra of 2½¢ per share. A similar year-end extra was declared by your Board at its meeting on April 26th, 1967.

Effective May 1st, 1967 James F. Tooley resigned as President and Chief Executive Officer of the company. Mr. Tooley had been Chief Executive Officer since August 1957 and will continue his association with the company as Director and Vice Chairman. Effective on that date C. Douglas Reekie was elected President, Chief Executive Officer and a Director of the company.

Mr. Reekie is a chartered accountant and, originally from Montreal, has held various executive positions with the CAE organization since 1955. For the past four years he has been successively, Executive Vice President and then President of Northwest Industries Limited in Edmonton, Alberta.

Mr. W. M. Anderson of Vancouver was elected to the Board of Directors of the company. Mr. Anderson has been a director of B. C. Air Lines since 1959 and is a director of the Mutual Life Assurance Company of Canada and other Canadian companies.

Mr. David I. Johnston, formerly Vice President, Legal, and Secretary was appointed Executive Vice President at the same time.

Mr. E. L. Bunnell was appointed President of Northwest Industries Limited replacing Mr. Reekie. Mr. Bunnell joined that company in 1963 and has been Vice President Sales and Contracts since 1964.

Mr. W. L. Gillespie was appointed President of B. C. Air Lines Limited on 1st September 1966. Mr. Gillespie retired from the Royal Canadian Air Force in 1964 with the rank of Group Captain.

Chairman of the Board

President

**Consolidated Statement
of earnings
for the year ended March 31, 1967**

	1967	1966
Gross revenue	\$45,361,913	\$46,506,918
Manufacturing selling and administration costs	42,703,088	43,471,973
Profit from operations before taxation and after charging the undermentioned items	2,658,825	3,034,945
Non-recurring profits	198,281	66,561
	2,857,106	3,101,506
Provision for income taxes — Note 4	768,749	1,225,520
Net earnings for the year	\$ 2,088,357	\$ 1,875,986
Items charged before determining profit from operations		
Depreciation of fixed assets	\$ 957,528	\$ 874,512
Amortization of licences and patents	142,244	141,932
Directors' fees and remuneration of officers who are directors	131,900	119,768
Interest on long-term debt	230,762	226,085

**Consolidated Statement
of earnings retained
in the business
for the year ended March 31, 1967**

	1967	1966
Balance at beginning of year	\$ 6,456,093	\$ 5,216,303
Earnings for the year	2,088,357	1,875,986
	8,544,450	7,092,289
Preferred dividends of subsidiaries \$ 37,500		
Dividend on Common stock of CAE Industries Ltd. 522,953	560,453	636,196
Balance at end of year	\$ 7,983,997	\$ 6,456,093

**CAE Industries Ltd.
and Subsidiary Companies**

Consolidated Balance Sheet as at March 31, 1967

Assets

Current Assets

	1967	1966
Cash	\$ 951,160	\$ 486,708
Marketable securities (quoted market value 1967 — \$419,688; 1966 — \$315,553)	332,755	156,555
Accounts receivable		
Trade	7,224,351	7,066,160
Other	448,754	137,759
Inventories — at lower of cost or net realizable value less progress billings	6,151,623	4,846,066
Prepaid expenses	209,630	239,740
	<u>15,318,273</u>	<u>12,932,988</u>

Fixed Assets — Note 2

Land	1,899,061	2,341,111
Buildings	7,620,236	7,627,729
Plant and equipment	10,889,703	10,779,068
Aircraft	1,632,632	1,725,866
	<u>22,041,632</u>	<u>22,473,774</u>
Accumulated depreciation	8,320,291	8,107,430
	<u>13,721,341</u>	<u>14,366,344</u>

Other Assets — at cost less amortization

Patents, licences and patterns	373,629	515,874
Excess of cost over book value on purchase of subsidiaries	<u>853,223</u>	<u>835,286</u>

Approved on behalf of the Board

R. Fraser Elliott, Director

C. Douglas Reekie, Director

<u><u>\$30,266,466</u></u>	<u><u>\$28,650,492</u></u>
----------------------------	----------------------------

Liabilities		
	1967	1966
Current Liabilities		
Bank	\$ 52,658	\$ 38,694
Notes payable	4,640,000	3,138,000
Dividends payable	130,127	129,998
Accounts payable and accrued liabilities	5,471,506	5,423,911
Provision for income and profits taxes	878,603	986,289
Other taxes payable	228,835	249,746
Current instalments of long-term debt	268,115	367,463
	<u>11,669,844</u>	<u>10,334,101</u>
Long-Term Debt		
Loans from Industrial Development Bank — Note 1	218,750	563,750
Notes payable — Chartered Banks — 6% due April 1968	2,500,000	3,168,000
Toronto-Dominion Bank Pension Society 7¼% mortgage	282,616	305,068
Other	175,460	50,000
	<u>3,176,826</u>	<u>4,086,818</u>
Instalments included under current liabilities	268,115	367,463
	<u>2,908,711</u>	<u>3,719,355</u>
Preferred shares of consolidated subsidiaries	750,000	750,000
Minority interests in consolidated subsidiaries	16,647	45,861
Shareholders' Equity		
Capital Stock		
Authorized		
2,250,000 common shares without nominal or par value		
Issued and fully paid		
1,610,031 common shares (1966 — 1,608,306 shares)	1,584,197	1,572,735
Surplus		
Earnings retained in the business	7,983,997	6,456,093
Excess of appraised value of fixed assets over depreciated cost	5,353,070	5,772,347
	<u>14,921,264</u>	<u>13,801,175</u>
	<u>\$30,266,466</u>	<u>\$28,650,492</u>

Five Years in Review
Years Ended March 31

	1967	1966	1965	1964	1963
Earnings Statistics					
Gross Revenue	\$45,361,913	46,506,918	39,701,481	36,854,204	22,459,322
Earnings before Income Taxes	\$ 2,857,106	3,101,506	3,325,204	3,156,582	1,600,971
Net Earnings after Taxes	\$ 2,088,357	1,875,986	1,759,593	1,499,082	972,857
Percentage of Sales	4.6%	4.0%	4.4%	4.1%	4.3%
Depreciation	\$ 957,528	874,512	680,216	598,308	326,221
Interest on Long-Term Debt	\$ 230,762	226,085	143,361	140,259	107,875
Net Earnings per share of Common Stock	\$ 1.28	1.12	1.08	0.91	0.62
Financial Position Statistics					
Working Capital	\$ 3,648,429	2,598,887	2,626,303	3,096,158	3,027,994
Ratio	1.3	1.2	1.3	1.6	1.4
Accounts Receivable	\$ 7,673,105	7,203,919	6,122,199	4,203,735	4,794,842
Inventories	\$ 6,151,623	4,846,066	5,260,711	3,468,124	4,693,351
Fixed Assets:					
At Appraised Value	\$22,041,632	22,473,774	20,267,372	—	—
At Cost	\$ —	—	—	12,844,886	12,470,126
Current Notes Payable	\$ 4,640,000	3,138,000	2,267,334	227,270	2,679,646
Long-Term Debt	\$ 3,176,826	4,086,818	3,904,737	3,202,229	4,421,305
Common Shareholders' Equity . . .	\$14,921,264	13,801,175	12,751,763	5,496,670	4,288,694
Per Share	\$ 9.27	8.58	7.97	3.45	2.74
Other Statistics					
Number of Employees	2900	2800	2700	2160	2600
Number of Shareholders	3861	3570	1953	1439	990
Cash Dividend Paid per Common Share	\$ 0.325	0.325	0.20	0.133	0.033

Note:

The per share figures given above are after taking into account the three-for-two stock split which occurred during the 1965-66 fiscal year and the three-for-one split in the year ended March 31, 1963.



B. C. Air Lines Limited

The nine-passenger BEEHCRAFT Queenair was recently put into scheduled service by B. C. Air Lines on its routes from Vancouver to Bella Coola and to Tofino. The aircraft is fully equipped for IFR operation, including weather radar. The airline services more routes in British Columbia on a scheduled basis than any other carrier with the exception of Canadian Pacific Air Lines.



Northwest Industries Limited

A view of the T-33 jet trainer line at the Northwest repair and overhaul facility. During the year a substantial aircraft contract was received from the United States Navy involving the repair and overhaul of forty-five T-33B jet trainers.

Northwest is also an approved repair and overhaul facility for the RCAF and carries out similar work for Pacific Western Airlines, Transair, Wardair, Northward and other commercial operators in Western Canada.





**CAE
Machinery Ltd.**

The ten foot bandmill, shown at final assembly and inspection, is part of a major consignment of forest products equipment ordered from CAE Machinery Ltd. for installation at the site of the world's largest newsprint mill at Powell River, British Columbia. Bandmills form part of the CAE Machinery forest products line and are used to saw logs lengthwise into board which are then resawn into finished lumber. Similar machines are currently being manufactured at the Vancouver plant of CAE Machinery for export to France.

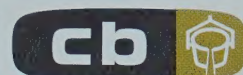


**Union Screen Plate
Co. Ltd.**

Union Screen Plate control their plating solutions through modern laboratory techniques to ensure highest quality plating in accordance with customer's specifications. The company's industrial electro-plating facilities were expanded during the year. The Lennoxville division added a new tank for chromium plating which measures five feet deep, seven feet wide and forty feet long.

In the Brampton division, the semi-automatic plating line was installed to permit quantity production in the automotive parts field. In Montreal, the semi-automatic decorative plating facility was extended and a chromium plating capability introduced, resulting in an overall increase in capacity of approximately 20%.





**Canadian Bronze
Company Limited**

The Canadian Bronze Company's production of more sophisticated cast and machined products in bronze and aluminum alloys is being aided by the modernization and upgrading of its facilities and skills. The picture shows the X-ray spectrometer, recently installed at the Eastern Division, which makes it possible to analyse a heat in the molten state prior to pouring. The company is thus able to maintain accurate analytical control on alloys.



Commencing the pour of a large bronze casting for the United States Navy which is being supplied by the Canadian Bronze Company Limited under the defence production sharing program. This casting is destined to become a component part of an atomic submarine. Canadian Bronze has produced a large quantity of similar non-ferrous castings which require rigid quality control.



Management of Divisions and Subsidiaries

Electronics Division

R. W. Cooke, President
 J. W. Bell, Vice-President
 Research and Development
 B. J. Kaganov, Vice-President
 Operations
 D. C. Smith, Vice-President
 Data Processing and Controls Group
 D. R. Tait, Chief Engineer
 N. B. Cavadias, Manager
 Manufacturing
 R. B. Gelhay, Comptroller
 R. J. Good, Manager
 Research and Development
 R. F. Kemerer, Manager
 Industrial Relations
 J. A. Morley, Marketing Manager
 Commercial Simulators
 S. Roth, Marketing Manager
 Research and Development Products
 R. J. Spooner, Marketing Manager
 Military Simulators
 William Victor, Manager
 Technical Services
 A. H. Mielke, Vice-President
 (Western)
 A. W. Maher, Comptroller
 (Western)

Northwest Industries Limited

E. L. Bunnell, President
 C. C. Young, Vice-President, Engineering
 S. E. Ridgway, Vice-President,
 Finance and Secretary
 F. A. Moore, General Sales Manager
 F. Maybee, Plant Manager
 J. Portlock, Manager
 Quality Control

B. C. Air Lines Limited

W. L. Gillespie, President
 Gordon L. Best, Vice-President, Operations
 D. G. Hosgood, Comptroller and Secretary
 Sydney Reynolds, Sales Manager

Canadian Bronze Company Limited

A. J. Moore, President and General Manager
 R. K. Robertson, Vice-President
 F. A. Sleep, General Manager, Central Division
 P. H. Ross, Comptroller and Secretary

Oneida Electronics Inc.

R. W. Cooke, President
 G. G. James, Vice-President
 R. B. Gelhay, Secretary and Treasurer
 N. G. Gooch, Manager

CAE Electronics GmbH (Germany)

M. J. Livis, Manager

CAE Machinery Ltd.

Peter B. Macfarlane, President and General Manager
 John Harris, Vice-President — Engineering
 R. O. Wilson, Vice-President, Secretary and Treasurer

Union Screen Plate Co. Ltd.

A. S. Mitchell, President and Chief Executive Officer
 H. A. Sawyer, Vice-President, Finance and Secretary
 Keith Lane, Plant Superintendent
 A. W. Cheatle, Plant Manager — Brampton
 K. S. Crawford, Sales Manager
 L. S. Raycraft, Plant Manager — Montreal

CAE Lubricators Ltd.

D. M. Loucks, President

L. E. Baxter Limited

L. E. Baxter, President



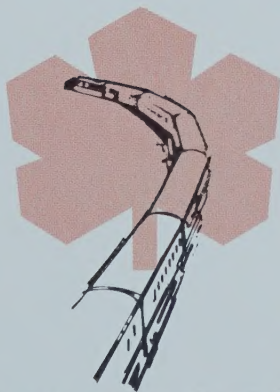
**Canadian owned, developed and operated . . .
a moving spirit behind booming Canada**



the eyes and ears of the space age

A rocket soars toward a precise pinpoint in space — and sets a weather satellite in orbit. Now, on the ground, CAE know-how takes over . . . keeping electronic eyes and ears on the latest weather watchdog. CAE systems listen — translate — turn signals from outer space into pictures of cloud formations and moving weather fronts.

Other CAE electronic systems speed telegraph and teleprinter communications — control traffic — supervise pipeline and powerline operations. And CAE research is playing an important part in forging the electronic weaponry that guards the security of our seas and skies. In industry, in defence, CAE works for Canada.

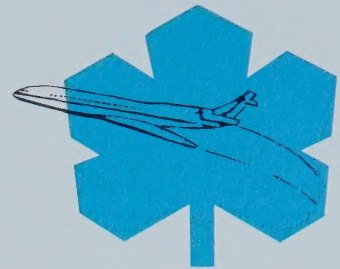


our country's railroads run on the right lines — and we're one reason why

Canada's railroads are on the move and because the nation's railroads run on CAE products . . . we're moving ahead with them.

CAE's Canadian Bronze division supplies bearings for freight cars and diesel locomotives as well as finished castings for passenger cars and subway cars. Diesel locomotive cylinder liners are rebuilt by Canadian Bronze and by Union Screen Plate Company, another CAE division.

And we manufacture Journalapak Journal Box lubricators for railroad cars . . . so when Canada's freight travels by train, we smooth the way. From coast to coast, in fact, CAE makes things run more smoothly for Canada.



on how to be magnificent in a flying machine . . . whether on or off the ground

CAE is in aviation — from the ground up. Six air lines and ten air forces have selected CAE flight simulators for pilot and crew training. And CAE maintains, through our Northwest Industries Limited division, an overhaul base that can recondition just about everything that flies.

CAE also takes to the air — to operate B.C. Air Lines, to make next-door neighbours of the scattered cities of British Columbia. So . . . while making flying machines fit to be flown and machines to train magnificent men to fly bigger and better ones — we help to speed industrial expansion for Canada.



trees mean different things to different people . . . and we are different people

Forestry is Canada's second largest industry — and CAE is involved in it from start to finish. We help to harvest the forests for lumber, pulp and paper.

CAE Machinery Ltd. manufactures the complete range of saw-mill and pulpmill equipment. Our Northwest Industries division supplies pipes and plastic tanks for liquid pulp. From our Union Screen Plate division come pulp screening components.

Wherever Canadians work, CAE works with them from coast to coast. With the raw materials of our basic industries and the skills and talents of Canadians, CAE is helping to build a prosperous future for Canada.

